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C O N F I D E N T I A L SECTION 01 OF 02 ASMARA 000092

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DEPARTMENT FOR AF/E,  
LONDON AND PARIS FOR AFRICA WATCHERS

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TAGS: [KPKO](#) [ECON](#) [EPET](#) [PGOV](#) [PREL](#) [ER](#)

SUBJECT: ERITREA'S DIESEL SITUATION: SHORTAGE OR POLITICAL  
TOOL?

Classified By: Ambassador Ronald K. McMullen for Reason 1.4 (d)

11. (SBU) Summary: Claims by the Government of the State of Eritrea(GSE) since December that UNMEE's fuel crisis results from its own shortage of supply, raises the question "What is the situation with Eritrea's fuel supply?" Diesel fuel stocks in Eritrea have decreased over the past few years for all consumers and remain low, with strict governmental control of imports and distribution. The "fuel crisis" likely stems from a combination of several causes: decreased supply availability due to a hard currency deficit; GSE policies designed to coerce compliance with national policies; and increased needs in support of an expanded military presence on the undemarcated border with Ethiopia. End Summary.

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FUEL SHORTAGES: A FACT OF ERITREAN LIFE  
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12. (C) Eritrea imports all of its fuel. Approximately seventy percent of imported fuel is diesel and thirty percent gasoline. Imports come in via tanker through the port of Massawa and are then trucked up the escarpment to Asmara for distribution. Each diesel tanker shipment supplies Eritrea's needs for three months, and each gasoline shipment lasts six months. All imported fuel comes from Kuwait's Independent Petroleum Group (IPG) and Saudi Arabia. Gasoline (costing \$9.59/gallon) is plentiful in Eritrea, but occasionally rumors of shortages lead to demand shocks. The GSE strictly rations diesel (costing \$4.04/gallon), which has been in short supply since summer 2006. Reports indicate that consumers offset shortages by purchasing diesel smuggled across the Sudanese border and from Yemen through the port of Assab. Kerosene (unregulated and costing \$2.78/gallon) reportedly is used by black market suppliers to "cut" their diesel stocks and increase profits. Large fuel reservoirs near Nefasit (on the road from Asmara to Massawa) store Eritrea's strategic reserve and contain an unknown quantity of diesel fuel; this reserve has been tapped on occasion to overcome temporary supply shortages.

13. (C) The Petroleum Company of Eritrea (PCE) nominally oversees fuel imports, but the army makes all real decisions. The army appropriates approximately forty percent of imported diesel for its own use before allowing shipments to the two domestic distributors, Total and Tamoil. The army provides each distributor with a list of customers to which they must make delivery; Total and Tamoil are not allowed to

compete or seek new customers. The distributors report that diesel available for distribution has decreased by thirty percent in the last 18 months.

¶4. (SBU) Foreign missions may obtain diesel via dipnote request to the MFA, which then grants Total or Tamoil permission to make delivery. Historically, the GSE approved these requests and fuel was delivered unimpeded. In 2006, all international NGOs were reporting difficulties in obtaining required levels of diesel fuel and noted that many GSE entities were affected as well. Since December 2007, the GSE has cut off diesel deliveries to UNMEE, CARE International, and the Japanese International Cooperation Agency (JICA), while continuing regular deliveries to other organizations. Individual diesel users must apply with the Ministry of Energy and Mines for diesel ration coupons, but these are rarely given, leaving the black market as the only source.

¶5. (U) Municipal buses have drastically cut service over the past four months, with some routes running only at fifty percent of previous levels. Privately owned buses providing transportation between cities cannot obtain adequate diesel ration coupons to maintain regular service, leaving passengers to queue outside the station overnight while awaiting the next available bus. Service trucks are often out of fuel, and trash pickup frequency has dropped from twice to once per week. Construction activity has virtually ground to a halt. Electricity, generated in Massawa at diesel-fired plants, is almost always available, however.

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THREE MOST LIKELY CAUSES

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¶6. (C) Supply Constraints. Eritrea is a poor country with a command economy. The GSE possesses limited hard currency reserves to purchase diesel, the cost of which increased dramatically over the past two years. Hard currency deficits may account for the thirty percent decrease in the amount of diesel available for distribution over the past two years.

¶7. (C) Deliberate Policy. Some GSE officials have opined diesel shortages are artificially created by the government simply to reduce abuse of official vehicles. In practice, however, the GSE regularly use its diesel supplies to give the GSE greater leverage and control over activities within Eritrea. Diesel is routed to businesses, organizations, and individuals according to GSE interest; those who have fallen out of favor, or considered suspect like NGO organizations, can find themselves cut off. For example, the GSE has provided diesel to People's Front for Democracy and Justice (PFDJ)-owned businesses while cutting it off from private competitors. In the case of UNMEE, CARE, and JICA, the GSE uses diesel restrictions for coercive reasons.

¶8. (C) Military Needs. The significant increase in Eritrean Defense Force (EDF) numbers and activity on the border with Ethiopia over fall 2007 had to entail a concomitant increase in resource needs to support the troops. The EDF is forward deployed to remote areas, requiring longer and more complex logistics and greater operational fuel uses. Reports from many sources through the fall indicated that senior GSE leaders believed war to be imminent and were preparing accordingly, which could have included significant stockpiling of diesel.

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COMMENT  
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¶9. (C) The GSE's "black box" decision-making process makes determining the exact cause of the diesel fuel shortage difficult. Each factor listed above does not stand on its

own, instead creating a policy from a kluge of uncoordinated decisions. Meeting the EDF's needs is of utmost importance to the GSE due to its current war footing, and the rest of the economy will be squeezed to ensure adequate diesel supplies for the military. A devastated economy, lack of foreign currency reserves, and increased fuel prices must inevitably lead to additional supply problems. Finally, the strangling of UNMEE through its fuel supply is consistent with past GSE practices of freezing resources as an expression of its displeasure and a means to coerce adherence to GSE wishes. End Comment.

MCMULLEN